

STATE OF MICHIGAN



JOHN ENGLER, Governor

DEPARTMENT OF TREASURY

DOUGLAS B. ROBERTS, State Treasurer

STATE TAX COMMISSION

4th Floor Treasury Building
Lansing, Michigan 48922 - Telephone (517) 373-0500

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ROLAND C. ANDERSEN, Acting Chair
LESLEY F. HOLT
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Bulletin No. 9
May 5, 1994
Millage Requests and
Millage Rollbacks

TO: County Clerks, Treasurers, Equalization Directors, and
Chairpersons of Boards of Commissioners;
Township Clerks, Treasurers, Supervisors, and Assessors;
City Clerks and Assessors;
Village Clerks;
School District Boards of Education;
Intermediate School Districts;
Community College Boards of Trustees;
Authority Governing Bodies

FROM: State Tax Commission

This bulletin is being distributed through the clerks of the counties, townships and cities for their further distribution to the named officials in those governmental units. The cooperation of the clerks is appreciated.

The purpose of this bulletin is to address 1994 millage rollback procedures for MCL 211.34d (Headlee) rollback fractions, Truth in Taxation rollbacks under MCL 211.24e, Truth in Assessment under MCL 211.34, Truth in County Equalization under MCL 211.34, and the "Counties only" rollbacks based on the convention facilities and cigarette tax collections.

The following forms are included in this packet:

1. L-4029 with instructions for Headlee rollback millage request report to county board of commissioners. The instructions have been revised to incorporate the amendments to MCL 211.34d by 1993 PA 145.
2. L-4297 Truth in Taxation Notice.
3. L-4034 worksheet to compute rollback fractions.

Note: The changes to MCL 211.34d for 1994 caused by 1993 PA 145 are itemized in the L-4029 instructions.

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Enclosed is a one page memo from Local Property Services Division listing the 1993 public acts that amended the General Property Tax Act and how to obtain a copy of the complete act. (page 6).

1994 PROCEDURES REGARDING SCHOOL OPERATING MILLAGES

The State Education Tax of six mills is not subject to either 211.34d (Headlee) or 211.24e (Truth in Taxation).

Calculations of "Headlee" reduction fractions for school operating millages shall be made without reduction of state equalized valuations for the "homestead" exemption provided by the passage of Proposal A. Also, the State Equalized Valuation of a "homestead" property exempted from the eighteen mills of local school operating taxes is not to be considered a loss in calculating reduction fractions for school operating millages for 1994.

MRF's and CMRF's for 1994 will be applied to school operating millages authorized by the voters prior to June 1, 1994.

It appears there will be legislative activity to clarify the calculation of millage reduction fractions for 1994. We will advise you of any legislative developments.

Truth in Taxation hearings and resolutions will not need to be held regarding the operating millage of most school districts for 1994 because for most school districts the millage for school operating purposes will be less in 1994 than in 1993. Legislation is being introduced to exempt all 1994 school operating millages from the provisions of Truth in Taxation.

1994 MILLAGE REDUCTION FORMULA RELATED TO SEC. 211.34d - HEADLEE

The inflation rate for determining the 1994 millage reduction fraction for any local government unit is 1.030. The following data will be used to calculate the 1994 MRF:

(TOTAL 1993 S.E.V. - LOSSES S.E.V.) X 1.030

1994 MRF =

1994 S.E.V. - ADDITIONS S.E.V.

The compounded MFR used for 1994 to determine the allowable tax levy rate is to be determined by the financial officer of each taxing jurisdiction. The compounded MRF used in 1994 will be equal: to the 1994 MRF not to exceed 1.0000; or to the product of the 1993 compounded MRF multiplied by the 1994 MRF; or it may be equal to 1.0000 depending on the source of the tax rate and the date of the election which authorized the rates.

(See Instructions for Form L-4029, Column 7). The compounded MRF shall not exceed 1.0000. The applicable MRF cannot exceed 1.0000 for newly voted

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levies, debt, or special assessments and cannot exceed the 1993 compounded MRF for other levies subject to rollbacks.

**MILLAGE ROLLBACKS RELATED TO STATE EQUALIZATION,
SEC. 34, TRUTH IN COUNTY EQUALIZATION ROLLBACKS, AND TRUTH IN ASSESSING**

There may be counties, villages, authorities, townships, or cities which will be impacted by the additional rollback requirement of Section 34 of the General Property Tax Act. A copy of that provision and an explanation of its impact has also been included as follows:

Section 34 of the General Property Tax Act, being section 211.34 of the Michigan Compiled Laws provided that: ". . . Each year the county board of commissioners shall advise the local taxing units when the state tax commission increases the equalized value of the county as established by the board of county commissioners and each taxing unit other than a city, township, school district, intermediate school district, or community college district, shall immediately reduce its maximum authorized millage rate, as determined after any reduction caused by section 34d, so that subsequent to the increase ordered by the State Tax Commission pursuant to Act No. 44 of the Public Acts of 1911, as amended, being section 209.1 to 209.8 of the Michigan Compiled Laws, total property taxes levied for that unit shall not exceed that which would have been levied for that unit at its maximum authorized millage rate, as determined after any reduction caused by section 34d, if there had not been an increase in valuation by the state. If its state equalized valuation exceeds its assessed valuation . . . a city or township shall reduce its maximum authorized millage rate, as determined after any reduction caused by section 34d, so that total property taxes levied for that unit do not exceed that which would have been levied based on its assessed valuation."

This required reduction applies only to maximum authorized millage rates and reduces the "authorized rate" after the application of the compounded millage reduction fraction required by section 211.34d, M.C.L.

In 1994, the increase by the state tax commission to the valuation of any separately equalized classification will require a reduction of the total authorized rate pursuant to Section 211.34, MCL, if applicable. The final allowable levy rate will be multiplied in the 1994 tax roll by the state equalized valuation of each item of property in each classification after accounting for any Truth in Taxation limitation required by section 211.24e MCL.

TRUTH IN COUNTY EQUALIZATION

The section 211.34 rollback fraction for counties, villages and authorities is calculated by dividing the TOTAL COUNTY EQUALIZED VALUATION FOR ALL CLASSES by the TOTAL STATE EQUALIZED VALUATION FOR ALL CLASSES.

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Villages and authorities will require factoring of the assessed valuations to obtain county equalized valuations and state equalized valuations needed to calculate the section 34 rollback fraction, equal to the TOTAL CEV/TOTAL SEV for each village and authority affected.

Truth in county equalization does not affect townships, cities, school districts, intermediate school districts or community colleges. Also, authorities located in more than one county are not affected by truth in county equalization.

TRUTH IN ASSESSING REQUIRED FOR ASSESSING UNITS ONLY

The section 211.34 rollback fraction for cities and townships is calculated separately for each township and city. The numerator of the fraction is the total assessed valuation for all classes as approved by the board of review; the denominator is the total state equalized valuation for all classes, i.e., the rollback fraction is calculated by dividing the TOTAL ASSESSED VALUATION FOR ALL CLASSES by the TOTAL STATE EQUALIZED VALUATION FOR ALL CLASSES.

The section 211.34, MCL, truth in assessing rollback applies in 1994 to any township or city if the total S.E.V. exceeds the total assessed valuation by any amount.

SEC. 211.24e, TRUTH IN TAXATION - BASE TAX RATE FORMULA

This section was not amended by any of the 1993 public acts and the procedures to compute the 1994 base tax rate are the same as previous years.

1994 BASE TAX RATE = 1993 OPERATING LEVY RATE X BASE TAX RATE FRACTION (BTRF)

1993 TOTAL S.E.V. - LOSSES S.E.V.

1994 BTRF =

1994 TOTAL S.E.V. - ADDITIONS S.E.V.

The base tax rate fraction is calculated each year and does not compound.

The same quantities are used for calculating the BTRF as are required for the MRF, the 1993 S.E.V., 1994 S.E.V., LOSSES S.E.V., and ADDITIONS S.E.V. for each separate unit of local government.

The base tax rate is calculated by multiplying the BTRF by the operating tax rate levied in the immediately preceding year.

The section 211.24e, Truth in Taxation provisions are not applicable to a taxing jurisdiction that levied an operating tax of one mill or less in the immediately preceding year.

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The procedure for levying an operating tax rate that exceeds the base tax rate is prescribed in section 211.24e. A tax rate cannot exceed the maximum allowable rate under any circumstances.

A model "Notice of Public Hearing", form L-4297, is included with this bulletin. It fulfills the requirements of 211.24e for the notice required to be published in the newspaper if a local unit of government intends to levy an operating tax rate greater than the base tax rate.

Special Note for Counties Only: A county must reduce its base tax rate for Truth in Taxation purposes by a rate produced by dividing its estimated Convention Facilities Tax Revenue by the county's current year's S.E.V. A further reduction in a county's 1993 base tax rate must be made in the same manner for the estimated cigarette tax revenue to be received by the county during the calendar year 1994. An estimate of this revenue and the convention facilities tax revenue will be sent to the counties in the summer of 1994.

Enclosures



STATE OF MICHIGAN

DEPARTMENT OF TREASURY

TREASURY BUILDING

LANSING, MICHIGAN 48922

JOHN ENGLER, Governor
DOUGLAS B. ROBERTS, State Treasurer

Date: February, 1994

To: General Property Tax Act Users

From: Local Property Services Division

Re: General Property Tax Act Amendments

Attached are Public Acts which were passed at the 1993 regular session of the Legislature and effect the General Property Tax Act. The sections which were amended or added are as follows:

<u>Section</u>	<u>Public Act No.</u>	<u>Section</u>	<u>Public Act No.</u>
2	313	60	291
7u	313	61	291
9	273	70b	291
24f	145	72	202
27a	313	73c	291
28	292	74	291
34d	145	108	291
36	240	131	291
44a	313	131c	291
55a	291	131e	291
57	291		

We are currently updating and revising the entire General Property Tax Act. The entire process is expected to take about 2 months. The cost has not been determined. If you want a copy, please write to the address on this letter or call (517) 373-3231.

The 1994 amendments will be available in February, 1995. Use this form for ordering the amendments. Cost is \$2.00 per copy. Make check payable to State of Michigan.

Number of copies needed _____ @ \$2.00 per copy.

Name _____

Street Address _____

City, State & Zip Code _____

Send this form and your remittance to the address on this letter.

Account #110-92-206 General Property Tax Act Amendments

**INSTRUCTIONS FOR
1994 TAX RATE REQUEST
Millage Request Report to County Board of Commissioners**

These instructions are provided under MCL Sections 211.24e (truth in taxation), 211.34 (truth in county equalization and truth in assessing), 211.34d (Headlee), and 211.36 and 211.37 (apportionment).

Column 1: Source. Enter the source of each millage. For example, allocated millage, separate millage limitations voted, charter, approved extra-voted millage, public act no., etc.

Column 2: Purpose of millage. Examples are: operating, building and site, debt service, special assessments, local school enrichment millage, sinking fund millage, etc.

Column 3: Date of Election. Enter the month and year of the election for each millage authorized by direct voter approval.

Column 4: Maximum Millage Authorized. List the allocated rate, charter aggregate rate, extra-voted authorized before 1979, each separate rate authorized by voters after 1978, debt service rate, etc. (This rate is the rate before reduction caused by MCL Section 211.34 if state equalized valuation exceeds county equalized valuation or assessed valuations).

Column 5: 1993 Compounded Millage Reduction Fraction. List the applicable millage reduction fraction from column 7 of your 1993 Tax Rate Request (form L-4029) for each separate millage listed.

Note: These 1993 compounded millage reduction fractions may not be the same for all millages to be levied by a taxing district. Also, voters could have increased one or more of these fractions to a maximum of 1.0000 prior to the effective date of P.A. 145 of 1993. This action is not permitted after August 19, 1993.

Column 6: Current Year Millage Reduction Fraction. List the millage reduction fraction certified by the county treasurer for the current year. The current year millage reduction fraction shall not exceed 1.0000 for 1994 and future years.

Column 7: Applicable Millage Reduction Fraction. For millage not subject to reduction, enter 1.0000. For millage subject to the reduction fraction from a single year, enter the lower of 1.0000 or the current year millage reduction fraction. For millage subject to the reduction fraction for more than one year, enter the compounded millage reduction fraction for the period since authorization was voted, (See examples on back.)

Column 8: Section 211.34 Millage Reduction Fraction. List the millage reduction fraction for 1994 for each millage which is an operating rate. Use 1.0000 for school districts, for special assessments and for bonded debt retirement levies. For counties, villages and authorities, calculate as TOTAL CEV/TOTAL SEV. For townships and cities, calculate as TOTAL ASSESSED VALUATION/TOTAL STATE EQUALIZED VALUATION. This fraction shall not exceed 1.0000. Use 1.0000 for an authority located in more than one county.

Column 9: Maximum Allowable Millage Levy. Multiply column 4 (maximum millage authorized) by column 7 (applicable millage reduction fraction) and also by column 8 (Section 34 millage reduction fraction). Round the rate to the nearest 0.0001 mill.

Column 10/Column 11: Millage Requested to be Levied. Enter the tax rate approved by the unit of local government provided that the rate does not exceed the maximum allowable millage levy (column 9). A millage rate that exceeds the base tax rate cannot be requested unless the requirements of the hearing, etc., have been met.

Examples For Column 7

- a. For millage approved by the voters after May 31, 1994, use 1.0000 for the first year.
 - b. For debt service or special assessments not subject to a millage reduction fraction, enter 1.0000. The state education tax of 6 mills is not subject to any millage reduction fractions.
 - c. For millage authorized by county tax allocation board enter the compounded millage reduction fraction beginning with the 1979 reduction fraction, unless there has been voter approval of an increase in the fraction restoring it to 1.0000, etc. Voter approval to increase the fraction to 1.0000 is not permitted after August 19, 1993.
 - d. For a separate millage limitation voted after 1978, enter the compounded millage reduction fraction beginning with the date of voter approval (see (a.) above). Separate millage approved before 1979 is to be reduced in the same manner as millage allocated by the tax allocation board. Revoting of separate millage limitations constitutes approval by the voters as of the date of the most recent election approval.
 - e. There is not necessarily a single millage reduction fraction for all millages authorized for a single taxing jurisdiction. For example, in 1990, a school district might have a voted millage of 9.0 mills subject to the compounded millage reduction fraction for each year from 1990 through 1994. In 1987, it might have voted 10 extra mills reduced by the compounded millage reduction fraction for each year from 1988 through 1994.
 - f. The applicable millage reduction fraction for any millage cannot exceed 1.0000. By statute, the 1979 reduction fraction is limited to 1.0000. Thereafter, the compounded millage reduction fraction cannot exceed 1.0000. The compounded millage reduction fraction for a year is equal to the compounded reduction fraction for the prior year multiplied by the current year millage reduction fraction, but not to exceed 1.0000.
- f(1). Date of Election to Authorize Millage. A millage authorized by voters after May 31 is not subject to a millage reduction until the year following the authorization. (MCL 211.34d(9)).
- f(2). Waiver of Future Constitutional Millage Reductions Prohibited. A unit of local government cannot obtain voter approval to disregard the constitutional reduction for the current year or future years.

P.A. 145 of 1993 amended Section 211.34d requiring the following changes in the implementation of "Headlee" for 1994:

- a) For each year after 1993, a millage reduction fraction shall not exceed 1.0000 - (Section (7)). This prevents any increase or "roll up" in millage rates.
- b) The special provision to eliminate the millage reduction for the current year for millages voted before May 31 that was authorized by P.A. 38 of 1991 has been removed from Section (9).
- c) The provision for ballot proposals to approve the levy in that year of its authorized millage without regard to the millage reduction caused by Article IX, Section 31 of the constitution or to restore the compound millage reduction fraction to 1.0000 has been removed. Section (11).
- d) Also in Section (11), ballot questions for renewal of expired millages shall ask for renewal authorization for the number of expiring mills as reduced by the millage reduction required by Section 31, Article IX. For elections prior to June 1, the expiring millage is based on the previous years millage reduction, if after May 31, the millage reduction shall be based on the current year reduction.
- e) Section (16) has been added stating the millage reduction required Section 31, Article IX shall permanently reduce the maximum authorized rate(s) authorized by law or charter.

MILLAGE REQUEST REPORT TO COUNTY BOARD OF COMMISSIONERS

ORIGINAL TO: County Clerk(s)
COPY TO: Equalization Department(s)
COPY TO: Each township or city clerk

[illegible]

Prepared by	Title	Date
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As the representatives for the local government unit named above, we certify that these requested tax levy rates have been reduced, if necessary to comply with the state constitution (Article 9, Section 31), and that the requested levy rates have also been reduced, if necessary, to comply with MCL Sections 211.24e and 211.34.

<input type="checkbox"/>	Clerk	Signature	Type Name	Date
<input type="checkbox"/>	Secretary			
<input type="checkbox"/>	Chairperson	Signature	Type Name	Date
<input type="checkbox"/>	President			

* Under Truth in Taxation, MCL Section 211.24e, the governing body may decide to levy a rate which will not exceed the maximum authorized rate allowed in column 9. A public hearing and determination is required for an operating levy which is larger than the base tax rate but not larger than the rate in column 9.

1994 MILLAGE REDUCTION FRACTION CALCULATIONS WORKSHEET

INCLUDING MILLAGE REDUCTION FRACTION CALCULATIONS NOT SPECIFICALLY ASSIGNED TO THE COUNTY EQUALIZATION DIRECTOR BY LAW

County	Taxing Jurisdiction
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1993 Total State Equalized Valuation	(SEV)	_____
1994 Total State Equalized Valuation	(SEV)	_____
Losses, State Equalized Valuation	(SEV)	_____
Additions, State Equalized Valuation	(SEV)	_____
1994 Total Assessed Valuation	(AV)	_____
1994 Total County Equalized Valuation	(CEV)	_____

1. Section 211.34d, MCL, "Headlee" (for each unit of local government)

$$\frac{(1993 \text{ Total S.E.V.} - 1994 \text{ Losses S.E.V.}) \times \overset{1.030}{\text{Inflation Rate}}}{(1994 \text{ Total S.E.V.} - 1994 \text{ Additions S.E.V.})} = \text{1994 Millage Reduction Fraction (Headlee)}$$

2a. Section 211.34, MCL, "Truth in Assessing" (for cities and townships if S.E.V. exceeds A.V. for 1994 only)

$$\frac{1994 \text{ Total Assessed Valuation}}{1994 \text{ Total State Equalized Valuation}} = \text{1994 Rollback Fraction (Truth in Assessing)}$$

2b. Section 211.34, MCL, "Truth in County Equalization" (for villages, counties and authorities if S.E.V. exceeds C.E.V. for 1994 only)

$$\frac{1994 \text{ Total County Equalized Valuation}}{1994 \text{ Total State Equalized Valuation}} = \text{1994 Rollback Fraction (Truth in County Equalization)}$$

3. Section 211.24e, MCL, "Truth in Taxation" (for each taxing jurisdiction that levied more than 1 mill for operating purposes in 1993 only)

$$\frac{(1993 \text{ Total S.E.V.} - 1994 \text{ Losses S.E.V.})}{(1994 \text{ Total S.E.V.} - 1994 \text{ Additions S.E.V.})} = \text{1994 Base Tax Rate Fraction (Truth in Taxation)}$$

NOTE: The truth in taxation BTRF is independent from the cumulative millage reductions provided by sections 211.34d and 211.34. The Base Tax Rate equals the BTRF X 1993 Operating Rate levied.

TRUTH IN TAXATION NOTICE

INSTRUCTIONS TO LOCAL GOVERNMENTS

Section 211.24e MCL as amended by P.A. 75 of 1991 requires that notice of public hearing be published by a local taxing unit which proposes to increase operating tax levies over the maximum amount allowed to be levied without a hearing. Notice may be published alone or included with the notice of public hearing on a unit's budget held pursuant to Section 141.412 MCL. The model notice at right fulfills the requirements under Section 211.24e MCL. It can be completed with all the information provided for, detached from these instructions and provided to the appropriate newspaper for publication.

Other pertinent information can be included in the notice. This sample notice form meets minimum legal requirements.

In addition to publishing requirements, the notice must be posted at the principal office of the taxing unit.

The notice must be published in a newspaper of general circulation in the taxing unit. Publication must occur six or more days before the public hearing.

The proposed additional millage rate must be established by a resolution adopted by the governing body of the taxing unit before it conducts the public hearing.

Not more than ten days after public hearing, a taxing unit may approve the levy of an additional millage rate equal to or less than the proposed additional millage rate that was published and on which a public hearing has been held.

INSTRUCTIONS TO NEWSPAPERS

The following notice is required by Section 211.24e MCL which provides:

- 1. The body of the notice must be set in 12 point type or larger.
- 2. The headline "Notice of Public Hearing on Increasing Property Taxes" must be set in 18 point type or larger.
- 3. The notice cannot be smaller than 8 column inches by 4 horizontal inches.
- 4. The notice cannot be placed in the portion of the newspaper reserved for legal notices or classified advertising.

Notice of Public Hearing
on Increasing Property Taxes

The _____
name of governing body

of the _____
name of taxing unit

will hold a public hearing on a proposed increase
of _____ mills in the operating tax millage rate
rate

to be levied in _____
year

The hearing will be held on _____
day

_____ at _____
date time a.m. / p.m.

at _____

place - address

The date and location of the meeting to take action on the proposed additional millage will be announced at this public meeting.

If adopted, the proposed additional millage will increase operating revenues from ad valorem property taxes _____ % over such revenues generated by levies permitted without holding a hearing. If the proposed additional millage rate is not approved the operating revenue will increase by _____ % over the preceding year's operating revenue.

The taxing unit publishing this notice, and identified below, has complete authority to establish the number of mills to be levied from within its authorized millage rate.

This notice is published by:

name of taxing unit

address

address